

## INTERNAL REVENUE CODE Section 584

## § 584. Common trust funds

(a) **Definitions.** For purposes of this subtitle, the term "common trust fund" means a fund maintained by a bank -

(1) exclusively for the collective investment and reinvestment of moneys contributed thereto by the bank in its capacity as a trustee, executor, administrator, or guardian; and

(2) in conformity with the rules and regulations, prevailing from time to time, of the Board of Governors of the Federal Reserve System or the Comptroller of the Currency pertaining to the collective investment of trust funds by national banks.

(b) **Taxation of common trust funds.** A common trust fund shall not be subject to taxation under this chapter and for purposes of this chapter shall not be considered a corporation.

(c) **Income of participants in fund.**

(1) **Inclusions in taxable income.** Each participant in the common trust fund in computing its taxable income shall include, whether or not distributed and whether or not distributable --

(A) as part of its gains and losses from sales or exchanges of capital assets held for not more than 6 months its proportionate share of the gains and losses of the common trust fund from sales or exchanges of capital assets held for not more than 6 months;

(B) as part of its gains and losses from sales or exchanges of capital assets held for more than 6 months, its proportionate share of the gains and losses of the common trust fund from sales or exchanges of capital assets held for more than 6 months;

(C) its proportionate share of the ordinary taxable income or the ordinary net loss of the common trust fund, computed as provided in subsection (d).

(2) **Dividends and partially tax exempt interest.** The proportionate share of each participant in the amount of dividends to which Section 116 applies, and in the amount of partially tax exempt interest on obligations described in Section 35 or Section 242, received by the common trust fund shall be considered for purposes of such sections as having been received by such participant. If the common trust fund elects under Section 171 (relating to amortizable bond premium) to amortize the bond premium) to amortize the premium on such obligations, for purposes of the preceding sentence the proportionate share of the participant of such interest received by the common trust fund shall be his proportionate share of such interest (determined without regard to this sentence) reduced by so much of the deduction under Section 171 as is attributable to such share.

(d) **Computation of common trust fund income.** The taxable income of a common trust fund shall be computed in the same manner and on the same basis as in the case of an individual, except that --

(1) there shall be segregated the gains and losses from sales or exchanges of capital assets;

(2) after excluding all items of gain and loss from sales or exchanges of capital assets, there shall be computed -

(A) an ordinary taxable income which shall consist of the excess of the gross income over deductions; or

**(B) an ordinary net loss which shall consist of the excess of the deductions over the gross income;**

**(3) the deduction provided by Section 170 (relating to charitable, etc., contributions and gifts) shall not be allowed; and**

**(4) the standard deduction provided in Section 141 shall be allowed.**